



Market and Trade Data

Belgium and the Netherlands Gearing Up for Biofuel Production

By Bob Flach

Until recently, production and consumption of biofuels in Belgium and the Netherlands were not top government priorities. In fact, only about 20,000 metric tons of biodiesel was produced in the region in 2005; no ethanol for use as fuel was produced. But as the Netherlands and Belgium begin to follow the rules and standards set for members by the European Commission, they are setting ambitious country goals for the use of biofuels.

To meet the new consumption standards, the Benelux region will be producing and importing more finished biofuels and feedstocks (products used in production of biofuels).

Tax Cuts Support Biofuels

Before 2006, subsidies by the Benelux governments to promote use of biodiesel and ethanol as transportation fuel were negligible compared to other EU (European Union) states, such as Germany and France. But the Belgian and Dutch governments recently legislated subsidies and are lifting the excise duty on ethanol, when it is blended with gasoline at a minimum 7-percent volume, and on biodiesel, when it is blended with diesel at a minimum 2.45-percent volume.

The Dutch government is also reducing its excise duty on gasoline and diesel if these fuels contain at least 2-percent biofuel by volume. The Dutch government plans to make the 2-percent blending compulsory by January 2007.

With this government support, production of renewable biofuels is expected to increase dramatically by 2007. Based on industry intentions to build plants, production capacity will increase up to 450,000 metric tons of biodiesel and 375,000 tons of ethanol.

Imports To Fill Shortfall

Due to a shortage of arable land, the Netherlands will depend largely on imports to fill production and consumption goals for renewable energy sources. There will be opportunities for U.S. exports of wood products, soybean oil, other vegetable oils, and grains. To reduce production costs, biofuel plants will be located at seaports, such as Rotterdam and Eemshaven.

Belgium will offer fewer U.S. export opportunities as the country will secure most grain and oilseed inputs from other EU countries.

Biodiesel Production Due for Jump Start

Rapeseed is the input of choice for the 20,000 tons of biodiesel now produced each year in Belgium and the Netherlands. Two

What Are Biofuels?

Two biofuels make up most of commercial production.

- **Biodiesel** is produced from vegetable oils and can be mixed with or replace diesel fuel.
- **Bioethanol** is produced from agricultural feedstocks (mostly sugarcane, corn, and wheat) and starchy agricultural industry byproducts. It usually supplements rather than replace gasoline.

Principal biofuel producers include Brazil and the United States. The EU, Brazil, and the United States all have government biofuel mandates to encourage production.

new plants opening in 2006 in the Netherlands will up production capacity by about 100,000 tons, most of which will be sold in Germany. By 2007, when three other companies begin production, Belgium will have a 350,000-ton biodiesel capacity per year. As production increases, palm oil and soybean oil are expected to be increasingly used for manufacturing biodiesel.

Ethanol Online in 2007

Though ethanol for use as fuel is not yet produced in these countries, that will change in 2007. In Belgium, two companies plan to start production, with initial capacities of 165,000 tons; production is slated to increase dramatically by 2010. Raw materials for these plants will include wheat, and byproducts such as molasses

and potato waste. As favorable government policies become effective, other plants will use feedstocks as well.

In the Netherlands, the capacity for ethanol production is expected to expand to at least 210,000 tons. The profitability of domestic ethanol production hinges on the as-yet-undetermined government policy for ethanol imports, which could be in direct competition with domestic production.

Generation of Green Electricity?

In contrast to the limited use of biofuels as transport fuel, their use in making electricity has increased considerably. In 2005, about 1.4 million tons of palm derivatives and about 2 million tons of wood materials were used to generate electricity in Belgium and the Netherlands.

The future use of palm products in making electricity is questionable, however. Domestic sunflower and rapeseed oil producers are pressuring their governments to end subsidies provided for producing electricity when palm derivatives are used. Consequently, their use is expected to decline in 2006, along with Dutch production of renewable energy. This drop will make it difficult to reach the government's ambitious targets for renewable energy production: 6 percent of output in 2005, 9 percent in 2020 and 17 percent in 2012.

Goals Open Door for U.S. Products

To achieve their ambitious goals, Dutch biofuel companies will need to import about 80 percent of the feedstock to be used in production. Most will come from outside the EU. Potential increased imports for this production include fuel wood (pelletized sawdust), soybean and other vegetable oils, wheat, and corn.

Due to the increased use of domestic crops for biofuel production, the Dutch processing sector also anticipates increased third-country imports of grains, such as wheat and corn. Rapeseed planting for biofuel production is expected to expand in the EU, displacing wheat and corn crops. ■

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